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China Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN

No 10, 20 April 1985

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No 10, 20 April 1985

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese No 10, 20 Apr 85

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FINANCIAL MANAGEMENT SYSTEM REFORM ANNOUNCED

Beijing STATE COUNCIL BULLETIN in Chinese No 10, 20 Apr 85 p 259

[State Council Circular on Stipulations on the Financial Management System for the "Determination of the Type of Tax, Decisions on Receipts and Outlays and Contract by Level" (21 March 1985)]

(Guofa [0948 4099] (1985) No 42)

[Text] To carry out the party's "Decision on Reform of the Economic Structure" adopted at the 3d Plenum of the 12th CPC Central Committee and to gradually achieve the four modernizations, the State Council has decided to implement a new financial management system for the "determination of the type of tax, decisions on receipts and outlays, and contract by level" starting from 1985. The National Financial Work Conference in December 1984, has determined in principle the base contract figures for receipts and outlays of the localities, the proportion between the amount of receipts being turned over to the state and that to be retained and the amount of subsidies enjoyed by subsidized localities. Copies of the "Stipulations on the Financial Management System for the 'Determination of the Type of Tax, Decisions on Receipts and Outlays, and Contract by Level'" are hereby distributed for compliance and action.

The implementation of the "Determination of the Type of Tax, Decisions on Receipts and Outlays, and Contract by Level" is not only a major reform of the national financial management system, but also an integral part of the reform of the national economic system. The coming reform of the financial management system will sum up the experience of the existing financial management system, continue to adhere to the principle of "centralized leadership and decentralized management," further define the privileges and responsibilities of financial authorities at all levels and further bring the initiative of both the central and local governments into full play to carry out the principle of better integration of rights and responsibilities. All localities and departments should educate their cadres to do a good job in maintaining a balanced relationship between the central and local governments by paying attention to local rights and interest while ensuring the need for national key projects. As the new system is implemented, all localities should conduct surveys and investigations and sum up experience to solve new problems. The reform of the financial management system should be done thoroughly, carefully and well so as to create conditions for the future system in which income will be determined by the type of tax.

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CSO: 4005/132

NEW STIPULATIONS GOVERNING TAXES, RECEIPTS, OUTLAYS DETAILED

Beijing STATE COUNCIL BULLETIN in Chinese No 10, 20 Apr 85 pp 25?-262

[Stipulations on the Financial Management System for "Determination of the Type of Tax, Decisions on Receipts and Outlays; and Contract by Level" (21 March 1985)]

[Text] The financial management system for the "determination of the type of tax, decisions on receipts and oytlays, and contract by level" carried out by provinces and autonomous regions over the past 5 years has proved effective and has played a significant role in improving China's financial situation and ensuring a continuous development of the national economy. Some problems have, however, cropped up which have to be tackled. The time frame for the above system, which was scheduled to be implemented for 5 years, has now expired. The situation has changed a great deal especially since the implementation of the second phase of the reform of the system of substituting taxes for profits, so it is necessary that some provisions in the original system be amended accordingly. To adapt to requirements in the gradual realization of the four modernizations and in line with the spirit of the party's "Decision on Reform of the Economic Structure" adopted at the 3d Plenum of the 12th CPC Central Committee, the State Council has decided that starting from 1985 all provinces, autonomous regions and municipalities directly under the central government shall implement a new financial system for the "determination of the type of tax, decisions on receipts and outlays, and contract by level" whose ultimate objective, upon review of experiences in running the existing financial management system, is to retain the good and eliminate the bad, continue to adhere to the principle of "centralized leadership and decentralized management, further define the rights and responsibilities of financial authorities at all levels, integrate rights and responsibilities and bring the initiative of both the central and local governments into full play. The provisions of the new financial management system are as follows:

1. To decide fiscal receipts at all levels according to the categorization of tax effected after the second phase of the reform of substituting taxes for profits:

(i) Fixed receipts of the central government: income tax, regulatory tax on state enterprises run by the central government; the business tax on the Ministry of Railways and main offices of banks and insurance companies; defense industry income; the income of enterprises contracted by the central government; price increase allowances for excess purchases of grain, cotton and oil; special

tax on fuel consumption; customs duties and product and appreciation taxes collected by customs authorities; regulatory taxes on speciality items; industrial and commercial consolidated tax on foreign-invested offshore oil projects and joint capital ventures, income tax, and fees for using mining areas; receipts from treasury bills; key state-run energy and transportation projects funds; and other types of income.

Seventy percent of the product tax, business tax, appreciation tax of enterprices under the Ministry of Petroleum Industry, the Ministry of Water Resources and Electric Power, the National Petrochemical Corp and the National Nonferrous Metal Corp shall go to the state as fixed receipts.

(ii) Local fixed receipts: the income tax, regulatory tax and contract fees of local state-run enterprises; the income tax of collective enterprises; agricultural and animal husbandry tax; vehicle and ship license fees; urban property tax; slaughter tax; animal transaction tax; tax on transactions made at fairs; deed tax; the income of enterprises contracted by local government; losses [sic] incurred by local grain enterprises and supply and marketing enterprises; the income from fines on late payments of tax and supplementary tax; the urban construction maintenance tax and other income. Land use tax, property tax and the tax on using vehicles and ships, to be levied in the future, shall form part of local fixed income.

Thirty percent of the product tax, business tax and appreciation tax of enterprises under the Ministry of Petroleum Industry, the Ministry of Water Resources and Electric Power, the National Petrochemical Corp and the National Nonferrous Metal Corp shall go to local governments as fixed receipts.

(iii) Receipts for both central and local governments: product tax; business tax and appreciation tax (excluding that paid by the enterprises under the Ministry of Petroleum Industry, the Ministry of Water Resources and Electric Power, the National Petrochemical Corp and the National Nonferrous Metal Corp and the Ministry of Railways and main offices of banks and insurance companies); resources tax; building tax; salt tax; individual income tax; state-run enterprise bonus tax; the industrial and commercial consolidated tax and income tax of foreign invested and joint capital enterprises (excluding those paid by off-shore oil companies).

2. Central and local outlays shall be determined in accordance with subordinate relationships:

(i) Central outlays: central capital construction investments; capital for renovating and tapping potential of central enterprises; expenses for trial production of products and building of simple constructions; geological survey payments; national defense outlays; armed police fundings; people's air defense funding; foreign aid; foreign relations expenses; national resources reserve payments; and all agricultural, forestry, water conservancy expenses; industrial, transportation and commercial payments; cultural, scientific and public health expenses; administrative expenses and other payments.

(ii) Local outlays: locally-coordinated capital construction investments; capital for renovating and tapping potential of local enterprises; expenses for trial production of products and for simple constructions; agricultural aid; expense for urban construction maintenance; and all agricultural, forestry, water conservancy payments; industrial, transportation and commercial expenses; cultural, scientific and public health payments; emergency relief and social security payments and administrative expenses (covering public security, safety, judiciary and prosecuting departments); expenses for the militia and other payments.

(iii) Outlays for special items unsuitable for contracting, e.g., emergency relief expenses for widespread natural disasters; aid for combating droughts and preventing floods; financial assistance for underdeveloped localities and subsidies for remote projects shall be allocated by the central government instead of local governments.

3. All provinces, autonomous regions and municipalities directly under the central government shall abide by these provisions to decide their own scope of receipts and outlays. Any local surpluses shall be delivered to the state; in case of local deficits a definite proportion of receipts shared by both central and local governments shall be allocated to and retained by local governments. If local deficits are so great that they cannot be balanced by local fixed receipts and the income shared by both the central and local governments, a fixed amount of subsidy shall be granted by the central government. Once the proportion of share or the amount of receipts to be delivered to the state or the amount of subsidy is determined, it will remain unchanged for 5 years. All localities shall maintain balanced receipts and outlays on their own, spending more if they earn more, spending less if they earn less.

To adapt to changing situations over the past 2 years involving more complex factors in reform of the economic structure and improve relationships between central and local governments, it has been decided that in 1985 and 1986 the central fixed receipts will not be shared by local governments and that the local fixed receipts and receipts shared by both central and local governments will be added together and linked up with local outlays and a fixed proportion of receipts to be shared will be determined.

4. All provinces, autonomous regions and municipalities directly under the central government shall use 1983 audited receipts as a base. All receipts and outlays shall be decided in accordance with the above-mentioned categories of receipts and the changes in receipts after the implementation of the second phase of the reform of substituting tax for profit.

The outlay base of all provinces and autonomous regions shall be determined in accordance with 1983 audited receipts and the current proportion of income-sharing (for aided regions, the amount of fixed subsidies shall also be included) and other readjustment factors. The outlay base for Beijing, Tianjin and Shanghai shall, in line with the scope of local outlays stipulated under the system for the "decisions on receipts and outlays, and contract by level," be readjusted and determined on the basis of the 1983 budget.

The new proportion of receipts shared, the amount of receipts delivered to the state and subsidies for localities shall be calculated and determined based on the above-mentioned local budget.

Both Guangdong and Fujian provinces shall continue implementing the financial contract system. Accordingly, the current amount of their receipts being delivered to the state and the subsidies shall be readjusted according to the above-mentioned scope in local budgets and the transfer of receipts after the second phase of the reform of substituting tax for profit.

5. To attend to demands in the economic development and cultural and educational activities of autonomous regions and provinces given the same treatment as autonomous regions, the procedure of increasing the fixed amount of subsidies determined by the central government by 10 percent annually over the next 5 years shall be continued.

6. Cities such as Chongqing, Wuhan, Shenyang, Dalian, Harbin, Xi'an, and Guangzhou which have been approved by the State Council to be experimental areas for the reform of the economic structure shall, after being listed individually in the State Plan, be under the national uniform financial management system. The scope and base of their budgets shall be determined by the Ministry of Finance in consultation with the province or municipality concerned.

7. Owing to changes in the subordinate relationships of enterprises and institutions in the course of implementing the financial system, the proportion of receipts shared and the amount of receipts being delivered to the state and subsidies for the localities shall be readjusted accordingly or determined independently. The proportion of receipts shared and the amount of receipts being delivered to the state and subsidies shall not be readjusted because of any changes arising from price adjustment by the state, increase of employee's wages or any economic reform measures, unless and until the contrary is stipulated by the State Council. No localities shall order their lower authorities to reduce the amount of receipts being turned over to the state or increase outlays without the approval of the State Council and the consent of the Ministry of Finance.

8. The people's governments of all provinces, autonomous regions and municipalities directly under the central government may formulate their own financial management systems for their counties and cities in accordance with the spirit of these stipulations.

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PEOPLE'S BANK OF CHINA RAISES INTEREST RATES

Beijing STATE COUNCIL BULLETIN in Chinese No 10, 20 Apr 85 pp 263-266

[Report by the People's Bank of China on Readjusting the Interest Rates on Some Categories of Bank Deposits and Loans; (Summary) (16 February 1985)]

[Text] Interest rates are one of the major economic levers of the state. Owing to a long-time negligence of the law of value, current interest rates on deposits and loans are unreasonable and have failed to adapt to the reform of the economic structure. It is therefore necessary to reform current interest rates. In line with this year's price reform, the board of directors of the People's Bank of China has proposed the readjustment of interest rates on some categories of bank deposits and loans as follows:

1. Increase the interest rates on time deposits. Taking into account the rights and interests of customers, the interest rates on time deposits should be raised. The annual interest rates on 1-year time deposits should go up from 5.76 percent to 6.84 percent (1.08 yuan more than each hundred yuan of deposits), on 3-year deposits it should go up to 7.92 percent, and on 5-year deposits, to 8.28 percent. The interest rate on 8-year deposits should remain 9 percent. Interest rates on overseas Chinese RMB deposits should be increased accordingly. This proposal is designed to encourage fixed deposits; interest rates on current deposits should remain unchanged.

2. Increase the interest rates on time deposits for enterprise units and public agencies. To absorb more time deposits from units and explore more capital sources for medium and long-term loans, it is proposed that the annual interest rates on 1-year time deposits for units be increased from 3.6 percent to 4.32 percent; on 2-year deposits, to 5.04 percent; and on 3-year deposits, to 5.76 percent.

3. Increase the interest rates on floating capital loans. Because interest rates on savings deposits have been increased, it is also necessary to increase interest rates on floating capital loans so as to maintain a reasonable difference between bank deposit and loan interest rates to help enterprises establish concepts of interest rates, revolving capital and investment and return, to further improve economic management and economic results. It is proposed that the annual interest rates on floating capital loans go up from 7.2 percent to 7.92 percent. Expenditures would go up once the interest rates are increased,

but the increase would only be a very small portion of the cost. Original interest rates shall apply to a small number of wholesalers which act as a watershed for commodities and to loans involving the state purchase of foods, cotton and oil grains. The interest rates on loans for grassroots supply and marketing cooperatives should remain unchanged this year, but be readjusted in January 1986. The interest rates on loans for self-employed industrial and commercial households should go up from 8.64 percent to between 9.36 and 11.52 percent. Specialized banks may determine different interest rates on loans within this range for self-employed households of different trades.

The interest rates on loans to rural areas have a determining effect of the interest rates of credit cooperatives. Agricultural banks may use the annual interest rates on floating capital loans (7.92 percent) and the annual interest rates on loans for self-employed households (9.36 to 11.52 percent) as a base for working out interest rates on loans. Rates determined shall be reported to the People's Bank of China for approval.

4. Increase interest rates on loans for capital construction. Interest rates on loans for capital construction are now lower than those for technical transformation, a situation which does not mesh with the principle of paying more attention to technical transformation and less importance to new capital construction. The interest rates on loans for capital construction should be higher than those for technical transformation. Taking into account the fact that the nature of the investment in capital construction has been transformed from free allocations to loans, it has been decided that the interest rates on "loans which have been transformed from allocations" should remain unchanged this year in accordance with the "Interim Provisions of the State Planning Commission, the Ministry of Finance and the People's Construction Bank of China for the Transformation of all Budgeted Investment in Capital Construction from Allocations to Loans" (Jizi [6060 6327] (1984) Document No 2580, published in the No 3, 1985 issue of the STATE COUNCIL BULLETIN). In the future, the above-mentioned interest rates shall be changed to uniform interest rates on loans for capital construction. The interest rates on state capital construction loans released from bank credit funds shall match, in principle, technical transformation loan rates. Preferential interest rates may be given to loans for major state energy and transportation projects.

5. Strengthen the management of low-interest preferential loans. It is a state policy that preferential interest rates are given within a specified period of time to productions in need of urgent development but poor in economic results, or to projects which need special loans due to poor natural conditions and economic backwardness. At present, however, the major problem is that preferential interest rates have been much abused. As a result, interest rates have generally declined and have failed to perform their regulatory function. To let preferential interest rates perform a regulatory function more efficiently, projects which are enjoying such rates should be reviewed. Such rates should no longer be given to projects which have become ineligible. Henceforth, all enterprise units should seek prior consent from the People's Bank of China when requesting preferential interest rates, except those which pay interest in the form of a discount when selling a bill of exchange.

6. To use the lever of interest rates more flexibly to effect macro-economic regulation, the People's Bank of China may henceforth, taking into account the national economic development and the money supply situation, readjust interest rates on the deposits and loans of specialized banks. All specialized banks shall follow the interest rates fixed by the People's Bank of China and shall not increase the interest rates on deposits and lower those on loans to expand business. Those which transgress these provisions shall force economic or administrative intervention by the People's Bank of China.

It is suggested that the above proposals on readjusting the interest rates on deposits and loans shall take effect 1 April 1985, upon the State Council's approval.

Please indicate whether this report is acceptable or not.

Table 1. Revised Interest Rates on Bank Deposits

Type of Deposit		Current interest rates		Proposed interest rates	
		monthly %	annual %	monthly %	annual %
Deposits by units	current (enterprises)	1.5	1.8	unchanged	unchanged
	time (enterprises, institutions, organs, and organizations):				
	1-year	3.0	3.6	3.6	4.32
	2-year	3.6	4.32	4.2	5.04
	3-year	4.2	5.04	4.8	5.76
Personal deposits by rural and urban people	current	2.4	2.88	unchanged	unchanged
	time:				
	half-year	3.6	4.32	4.5	5.40
	1-year	4.8	5.76	5.7	6.84
	3-year	5.7	6.84	6.6	7.92
	5-year	6.6	7.92	6.9	8.28
	8-year	7.5	9.00	unchanged	unchanged
RMB deposits by Overseas Chinese	time:				
	1-year	5.4	6.48	6.0	7.20
	3-year	6.0	7.20	6.9	8.28
	5-year	6.9	8.28	7.5	9.00

Table 2. Revised Interest Rates on Bank Loans

Type of Loan	Current interest rates		Proposed interest rates	
	monthly %	annual %	monthly %	annual %
1. Loans for floating capital	6.0	7.2	6.6	7.92
2. Loans for settlement of payments	3.0	3.6	unchanged	unchanged
3. Loans for technical transformation				
1-year or less	4.2	5.04	unchanged	unchanged
1 to 3 years	4.8	5.76	unchanged	unchanged
3 to 5 years	5.4	6.48	unchanged	unchanged
4. Loans for capital construction			to be fixed in comparison with the interest rates on loans for technical transformation	
5. Loans for rural and urban commerce and industry, transportation and service trade	7.2	8.64	7.8-9.6	9.36-11.52
6. Loans for advance payments	4.8	5.76	unchanged	unchanged

Notes:

1. The interest rates on loans for commercial and industrial floating capital shall apply to commercial and industrial enterprises owned by collectives or the state.
2. All interest rates on rural loans shall be fixed by agricultural banks on the basis of the above proposed rates and shall be submitted to the People's Bank of China for approval.

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SYMPOSIUM AFFIRMS CPC DIRECTION ON URBAN ECONOMIC REFORM

Beijing STATE COUNCIL BULLETIN in Chinese No 10, 20 Apr 85 pp 267-272

[Minutes of the National Symposium on Selected Points for Reform of the Urban Economic Structure (13 March 1985)]

[Text] From 6 to 13 March 1985, the State Commission on Restructuring of the Economic System convened in Wuhan Municipality, Hubei Province, a national symposium on selected points for the reform of urban economic structure. More than 300 people attended the symposium, including responsible comrades of the structure reform committees (offices) in 28 provinces, autonomous regions and directly subordinate municipalities, responsible comrades of 58 selected cities and towns, and comrades from relevant departments of the Central Committee and State Council, theorists and press circles. The symposium relayed and studied recent important talks of the leadership comrades of the Central Committee exchanged situations and experiences in urban reform, and studied the problem on how, under the new conditions, to actively but carefully push forward urban economic structural reform.

1. A Unified Understanding and Clarification of Work Guidelines and Major Tasks of the Reform This Year

This year is the first year of the all-round development of the reform of urban economic structure. To achieve an initial victory, it is necessary to unify understanding and the steps to be taken in regard to the important problems of the reform. At present, an overall and correct analysis and estimate of the current situation of the reform is needed.

The comrades attending the symposium were all of the opinion that in 1984, the reform of the country's economic structure had achieved an outstanding breakthroughs both in theory and in practice. In urban reform, starting from breaking the two practices of "everybody eating from the same big pot," the state-run enterprises have enforced taxes in lieu of profits while internally enterprises have set up diversified forms of the economic responsibility system centered on contracting; government organs at various levels have simplified structure and delegated power to lower levels; diversified economic forms and operation methods have been further developed; in areas including planning, commerce, construction enterprises, science and technology, currency and finance and labor and personnel administration, certain reform measures have also been adopted which have begun to enliven enterprises and spur circulation of commodities. Opening to the

outside has been extended from the four special economic zones to 14 coastal cities and towns and Hainan Island, and further to three coastal open areas, while internally and externally various forms of economic and technological exchange have broadly developed. Pilot cities and towns in the comprehensive reform have grown in number from 3 early last year to 58 at present. The "Decision" of the 3d Plenum of the 12th CPC Central Committee has further expanded urban reform to a new stage of development which is even broader and more intensive than before. The reform has given urban economy new life and vitality, and last year in the cities selected the speed of economic development and the good results attained were all unprecedented. The masses, having personally felt the results of the reform, have greatly heightened their consciousness and confidence in the reform. All this fully illustrates that our country is now in a "golden age" of reform of the economic structure. We must certainly follow the direction and policies specified by the Central Committee, continue to destroy and uproot the old traditional concepts and "leftist" ideological influences, and lose no time to carry out the important steps of the reform.

Concurrently with fully recognizing this very good situation, comrades attending the symposium made a thoroughgoing analysis of problems emerging in the course of the economic development, including the excessive growth of credits and loans and consumption funds, the overly-large scale of capital construction, oversupply of banknotes, and the too rapid rise in certain commodity prices. Everybody believed that first of all it should be noted that these problems arose as a result of a very good situation, principally because under the new situation of the development of the planned commodity economy, macro-regulation and control could not catch up on time, although this is now being rectified. But we cannot hesitate just because of this and lose the opportunity. On the other hand, it must be clearly understood that the appearance of these problems signified an increase in the difficulties facing urban reform, particularly the price reform and wage reform to be launched this year. We should not take the situation lightly. Therefore, this year the guideline governing the operations in reforming the economic structure should be: in the direction of reform and targets, we should be firm and resolute and actively forge ahead; in regard to the steps and methods of reform, we should proceed with care. We should play safe and integrate the work of continuing the vitalization process and strengthening macro-control to ensure success in the initial battle of the reform.

According to the 3d Plenum of the 12th CPC Central Committee's "Decision" and the spirit of the guidance of Central Committee comrade leaders, this year the major tasks of cities and towns selected for reform are: further vitalization of enterprises, particularly the large and medium-sized enterprises; further opening to the outside and the inside, developing horizontal economic relations; making overall use of economic leverages, and strengthening macro-regulation and control. These cities and towns should strive to find their way forward in these three areas and try hard to seek new breakthroughs.

II. Further Streamlining the Structure, Delegating Power Downward, and Enlivening Enterprises

Strengthening the vitality of enterprises is the central link which must be firmly grasped from beginning to end in the reform of urban economic structure. Large and medium-sized enterprises occupy a commanding position in the national economy but at the moment the great majority of them still lack vitality. Hence, the vitalization of large and medium-sized enterprises represents a weighty and difficult task in urban reform.

In strengthening the vitality of the large and medium-sized enterprises, it is necessary at present to stress that the enterprises direct their sight inward, speed up internal reform, combine the increase in economic results with enforcement of the economic responsibility system, and bring into full play their superiorities in terms of talented personnel, technology, equipment and information. Enterprises should not only become the production-operation type but also the pioneering-and-creating type, continuously opening up new technology, new products and new markets and strengthening abilities in competition and in meeting contingencies. They should reform internal leadership system, enforce the plant manager responsibility system, employ a large number of talented personnel who have specialized knowledge, are skilled in operations and management and rich in pioneering spirit. Large enterprises may, in accordance with actual needs, reduce the size of accounting units, change some of the workshops into branch factories with independent accounting, and appropriately delegate power to lower levels. Under the unified policy of the state, the internal salary and wage system of enterprises should be made more flexible and disparities in renumeration should be rationally widened. They should focus on one trade, diversify operations, and broadly open roads to production, operations and services. Enterprises should utilize surplus manpower to develop tertiary industries and existing departments rendering services in production and livelihood should be opened up to society, independent in accounting and solely responsible for their own profit and loss. Enterprises should be allowed to raise production development funds through various channels and to invest their funds in other regions and other industries and trades which can produce even better economic results. The experimental cities and towns may select a small number of large enterprises to try and attract their own employees to become shareholders, but must compile suitable regulations on payment of dividends and profits. A segment of small state-run enterprises may become collective-owned by issuing share certificates, or other methods.

To truly vitalize enterprises, city governments should be even more broad-minded in delegating power and must start with themselves, delegating power in their grasp to enterprises as soon as possible. At present, cities and towns should make a general and earnest survey of actual conditions of enforcing state regulations on expanding the decision-making power of enterprises. Aside from sending a small number of targets of the state's command planning down to the enterprises, the pilot cities and towns should not extend the scope of the command plan nor make any addition to the tasks under the state plan. They should further reduce the authority of departments in charge to examine and approve production and operations, and the examination and approval procedure

should be streamlined and simplified. The enterprises employing their own funds to carry out technical transformation should take charge of the arrangement and enforcement themselves, without having to go through the application procedure level by level. On the basis of streamlining structure and delegating power, it is necessary to adopt an active and careful attitude and as for appropriately reforming administrative organs of the cities and towns, those cities and towns meeting the necessary conditions may take larger steps forward. Suitable arrangements should be made for surplus personnel after streamlining the structure.

Stressing the cities' roles as centers does not imply that departments and regions should simply transfer power and authority originally belonging to them to the cities and towns. Rather, city governments should change their former method of principally relying on administrative measures to directly command and intervene in the affairs of enterprises, but should realistically turn in the directions of compiling regulations, strengthening policy guidance, and performing a good job in organizing coordination, carrying out inspection and supervision and rendering various kinds of services so as to create good external conditions for vitalizing enterprises and enlivening the economy.

To change the phenomenon of detainments in decision-making power in enterprises it is necessary to liquidate and consolidate companies of an administrative nature. Some may be converted into mass industrial or trade federations, others into various forms of companies of a service nature, rendering services in such sectors as information, enquiries, technology development and engineering contracting, solely responsible for their own profits and losses. Those that should be abolished, should be resolutely abolished.

The symposium held that the various departments of the central government and the provincial first-level governments should likewise separate administrative functions from enterprise functions, further streamlining their structure and delegating power to lower levels. They should annually reduce their command plans to the lower levels and should, in a planned manner and step by step, delegate enterprises to cities and towns. For large enterprises which have a high level of operation and management, make large contributions but keep profit-retention levels too low, the command targets should be lowered accordingly, and taxes should be gradually reduced and readjusted, to strengthen ability for self-transformation and self-development.

III. Opening the City Gates: Freely Developing Horizontal Economic Relations

The symposium concluded that in developing horizontal economic relations and giving full play to cities' role as centers, it is necessary to really open the city gates, allow and encourage commodities from outside regions to enter the local markets, permit and encourage enterprises and peasants of outside regions to enter the cities to undertake various kinds of enterprises, and allow and encourage local industrial and commercial enterprises to carry out joint cooperation work that crosses the boundaries of trades and industries, urban and rural areas and localities. At present, it is most important to open the markets for means of production and widely establish and perfect trading

centers for means of production. Cities and towns should gradually reduce the variety and quantity of planned allocation of materials. Under the conditions of guaranteeing the needs of the command tasks of the state, more means of production should be directly placed onto the markets. Materials obtained by cities and towns through cooperation and importation should likewise be placed onto the markets. Means of production specified to be self-marketed by enterprises may enter and be traded in trading centers, at prevailing market prices. Banks should collect extra interest charges on circulation funds occupied by materials excessively stored and stockpiled by the enterprises, and at the same time stockpiled materials should be allowed to be sold in the trading centers at market prices. State-run enterprises handling material resources should grasp hold of the sources for wholesale trade, take an active part in market regulation, engage formally as licensed businesses in means of production trading centers and take responsibility for adjusting throughput and stabilizing commodity prices.

Opening to the outside should apply not only to the commodity circulation sector but also the production sector. In recent years, various regions have created many good internal and external formats in joint cooperation efforts. These should be vigorously promoted and expanded, and creations continuously made. Joint economic cooperation should be emphasized in undertakings of a developmental nature such as jointly-financed projects to develop energy resources, power generation or highway construction, and cooperation to develop new industries and new products. Advocate and support the integration of scientific research and production, and promote the early transformation of scientific technology into actual productivity. In such cases, production units and scientific research units may serve as the main bodies. In the development of horizontal relations, firmly insist upon the principles of autonomy, volition, reciprocal aid and mutual benefit; promote and support the use of bids to select the best; and keep interference to a minimum.

Strengthened horizontal economic relations increasingly and urgently demand the formation of technical information markets and the appropriate opening up of financial markets. Pilot cities and towns should direct their investigations into these fields. At the moment, the outstanding tasks of city governments are to adopt a liberal economic policy; absorb investments; make use of the local financial strength; strengthen the construction and transformation of basic facilities such as highways, telecommunication, power and water supply and facilities providing services for livelihood; vigorously develop various services such as technological enquiries, personnel training, information and intelligence, and investigation and forecasting; increase attractiveness; abilities to fan out and comprehensive service capability, and gradually build cities of the open type, with integration of town and country and internal and external interflow.

IV. Comprehensively Employ Economic Levers and Smooth Economic Relations

The symposium held that be it microeconomic opening or vitalization macro economic tightening of control, it is necessary, both on the basis of attaining a timely grasp of economic information and of the economic situation as a whole, to comprehensively employ the economic leverages of price, taxation, credits, loans and wages. These are the "basic skills" which city governments must cultivate for leadership in economic work.

The two reforms that will be launched this year, namely, the reform of the price system and of the wage system, will be important steps in using economic leverages to smooth economic relations so must therefore stringently comply with the unified arrangements of the State Council. The pilot cities should make full preparations beforehand, including a vigorous evaluation of the gross amount of salaries and wages for the enterprises and base target figures for economic efficiency; an estimation of ratios between linked and floating prices; selection of the best time for liberalizing commodity prices for items like pork and vegetables; grasping market, economic and social trends at all times; vigorously asserting the role of state-run commerce in regulating throughput and participating in market regulatory functions. In addition, it is necessary to strengthen municipal efforts in such sectors as statistics, auditing, assessment, standards, commodity prices and industrial and commercial administration and management, and to establish a supervisory structure over the masses of consumers.

The experimental cities and towns should, in accordance with the unified arrangements of the State Council and concrete needs in local development, be conscientious and thoroughly adept, within the realm of their own authority, at utilizing economic leverages to regulate industrial and consumption structures and market demand. For commodities under municipal control, it is necessary to perfect the principles for determining prices and management measures; to enforce quality, seasonal and regional differential prices, and to gradually liberalize prices based on economic and social receptiveness. For credits and loans, the cities should, on the foundation of base interest rates determined by the Central Bank, make distinctions between various loan projects and prospective clients and enforce floating or differential interest rates. Bigger strides should be taken this year in the commercialization of residential housing, and experiments in rent reforms carried out whenever conditions permit. Experimental cities should designate composite departments or units (such as a planning committee) to take full charge of, and regulate, the use of economic leverages, gradually shifting municipal economic management onto a path of utilizing economic measures. Municipal governments should simultaneously emphasize correct implementation of legal and administrative measures to strengthen the guidance and regulation of socioeconomic livelihood.

V. Meticulously Guide and Ensure the Healthy Progress of Reform

The symposium held that the task of urban reform is difficult and complex and that it is necessary to strengthen leadership and meticulously organize the work. The major points, steps and methods of the reform should take the special features of different cities into consideration. Measures must be suited to local conditions and measures that appear to be universally applicable must be avoided. The symposium expressed the hope that people's governments of provinces and autonomous regions would further strengthen their leadership over the work of reforming urban structure, and effectively assist in solving the problems encountered in the course of the reform; relevant departments and commissions of the central government should likewise offer warm assistance and support and actively carry out experiments in reform in experimental cities and

towns. These cities and towns should themselves strengthen leadership and, within the limits of unified arrangements made by the state and the authority bestowed by the province, bravely conduct probing and pioneering work, and advance in the course of reform. Augment the organs responsible for structural reform work in provinces and experimental cities and towns to turn them into the government's functional departments for coordinating reform work in economic structure. Grasp well such work as training cadres and strengthening theoretical studies in urban reform.

At present, it is especially important to emphasize the correct integration of vitalizing the economy and strengthening macro-control. Stress macro-control to suit the demands of the development of a planned commodity economy, search for a new management system and new control methods. Strengthening macro-control and enlivening the economy are conditions for each other, complementing and supplementing each other. Cities and towns are links in the integration of macro- and micro-economy and should play an important role in vitalization and managing well.

In the course of reform, it is necessary to correctly handle the relations between state, collective and individual interests as well as the relations between the whole and the part and future interests and current interests. Regarding problems which have arisen due to the lack of experience, it is necessary to sum up the experiences and lessons in a timely manner and be adept in guidance. Effective measures should be adopted to call a firm halt to the new unhealthy tendencies of taking advantage of loopholes in the reform, crooked ways and dishonest practices, harming the interests of the state and the consumers, and interfering with and damaging the reform. Reform is an enterprise which aims to create something new. Leadership at various levels must redouble their efforts to love and protect the enthusiasm of the broad masses of cadres and people for carrying out experiments in reform, to solidify and develop a very good situation for reform.

Comrades attending the symposium unanimously expressed the conviction that the present is an important time for reform and that we must firmly implement the 3d Plenum of the 12th CPC Central Committee's "Decision" and consciously maintain continuity with the party Central Committee in all important policies and arrangements. At all times grasp trends, study policies, and frequently communicate with each other, and lose no opportunity to carry out in depth urban reform to make new contributions to the establishment of a socialist economic structure with Chinese characteristics.

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PACKAGING IMPROVEMENTS URGED

Beijing STATE COUNCIL BULLETIN in Chinese No 10, 20 Apr 85 pp 274-278

[Report by the National Packaging Inspection Leadership Group on Further Improving Commodity Packaging and Reducing Economic Losses (18 January 1985)]

[Text] Following directions of the PRC State Council leading comrades, nationwide packaging inspection was begun from the second half of last year. Everyone's efforts produced great success and manifested economic results. According to incomplete statistics from various localities, relatively big improvements were achieved on more than 600 projects with an economic benefit of nearly 300 million yuan. From this large-scale inspection, it is obvious that serious damage to commodities had been brought about by causes such as irrational packaging and improper loading and unloading, transportation and storage. In 1983, losses due to poor packaging of commodities, excluding products in foreign trade, in the defense industry and in rural and small town enterprises, amounted to more than 4 million yuan. Of this, confirmed losses of 20 large categories of products has already reached 2.79 billion yuan, principally comprising: bagged cement, 325 million yuan, for an average loss ratio of 4.5 percent; chemical fertilizer, 106 million yuan, for an average loss ratio of 4 percent; plate glass, 75 million yuan, for an average loss ratio of 8 percent; pottery for civilian use, 170 million yuan for an average loss ratio of 15 percent; fresh eggs, 141 million xuan, for an average loss ratio of 6 percent, and fresh fruits, 683 million yuan, for an average loss ratio of 9 percent.

Losses were due to the following causes: 1) The leadership of many enterprises lacking a sufficient understanding of the importance of commodity packaging, being inclined to "stress production but overlook packaging," 2) The backward state of packaging technology, depending upon manual handling and roughshod loading and unloading, 3) Lack or shortage of packaging materials (including packaging machines), lack of variety, poor quality, and blocked supply channels, 4) Weak foundation of the packaging industry, antiquated equipment, and especially technological weakness and a technician-to-staff ratio of only 1.2 percent, 5) Lack of packaging technology standards for most products; hence no basis for measuring the quality of packaging, 6) An insufficient number of warehouses and generally poor storage facilities, and 7) Certain problems existing in price and tax policies, adversely affecting packaging improvements. In addition, many problems have existed in the structure and system of commodity circulation management, making packaging improvement difficult.

Further improving commodity packaging, reducing package losses and damages, and recovering the enormous economic losses caused to the state by poor packaging should not be overlooked in economic reform. In accordance with a directive from State Council leader comrades urging the continuance for another year of packaging inspection, we present the following views on packaging inspection work for 1985.

1. Clarify tasks, and make sure of the targets for reducing losses.

The major tasks of this year's packaging inspection are: Shifting from inspection to improving packaging and fulfilling the target set by the State Economic Commission to reduce the economic losses by 1 billion yuan, and strive toward a target of 1.5 billion yuan.

To ensure completion of the above-mentioned tasks, it is necessary to follow the principle of "whoever produce products is responsible for the packaging and whoever causes damage is responsible for it," in organizing personnel in various departments and areas to draw up practical plans before the end of March this year for improvement of product packaging in their respective departments and areas.

The plans should stress the following major products: cement; plate glass; chemical fertilizer, fresh eggs; fruits; vegetables and meat; sugar; flue-cured tobacco; tea leaves; cotton; Chinese herbs; aquatic products; pottery and ceramic goods; wine bottles; emulsified agricultural chemicals; grain; enamelware; bicycles; sewing machines, and domestic electrical goods and electron tubes. Of these, cement, chemical fertilizers, plate glass, agricultural chemicals, pottery, aquatic products, fresh eggs, fruits, and bicycles should be treated as major products to be grasped nationally and improvement plans drawn up by relevant departments of the State Council and organized for enforcement by various areas; packaging improvements on other major products should be primarily handled by localities themselves.

The national packaging inspection leadership group plans to organize areas and departments before the end of March to discuss and fix target figures for loss reduction. Determination of the distribution of loss reduction targets should be based principally on such factors as damage condition and losses in commodity packaging in 1983, gross value of local commodities involved, and the feasibility of the packaging improvement plans, in combination with the gross loss and damage reduction target fixed by the State Economic Commission. Realizing that results in the packaging improvement this year will take a fair amount of time, gains in the first quarter of 1986 may be included when assessing the amount of loss reduction actually realized this year in respect of those projects on which improvement plans have been formulated and put into action.

2. Strengthen leadership organization and set up a powerful work team.

This year the State Economic Commission will continue to take charge of improvement tasks. Areas and departments should further strengthen packaging inspection leadership groups, reinforce staff structures in offices, absorb packaging

specialists and technicians to take part in and form capable work teams. In the 1984 inspection, Shanghai Municipality formed a special packaging cooperation office, as a permanent organ under the leadership of the municipal economic committee. This practice is well worth our reference. Packaging inspection leadership groups at various levels should tightly grasp their work, organize timely specialized sessions for solutions of problems, bring contradictions into line and strengthen supervision over inspection. Regarding the improvement of bulk commodities packaging, examination before acceptance should be done well. The national packaging inspection leadership group should formulate standards for examining and receiving goods and work together with inspection groups of areas and departments in this work.

3. Rely on forces from various sides to tackle problems in a comprehensive way. There are many causes of damages and losses to commodities, and it is necessary to depend on everyone's efforts to tackle problems in a comprehensive way, not only resolving problems in the quality of packaging itself, but also problems existing in various circulation links in shipping, loading and unloading, warehousing and marketing. Last year, creditable work in this regard was done by departments involved such as railroad, transportation, commerce, trade and industry. This year, these departments should be all the more enthusiastic, organize forces, actively cooperate, and grasp well the work of reducing damages and losses to commodities in packaging.

4. Put in the necessary funds, and guarantee the supply of necessary material.

Areas, departments and enterprise units must support packaging improvement work both financial and materially. In principle, expenses incurred should be borne by the owners of the products. Funds required may be in the form of loan repayments which may be made prior to payment of taxes on economic benefits derived from improved packaging in accordance with the Finance Ministry's "Provisional Regulations on the Handling of Financial Affairs in the Second Stage of Substituting Taxes for Profits in State-run Industrial and Transportation Enterprises." For materials needed, such as timber, steel products, plastics, paper, gunny sacks, woven bags and rubber bags, those involved should follow the spirit of the State Economic Commission's "Circular on Strengthening Work in Comprehensively Tackling the Quality of Freight Transport," and incorporate requirements into production and distribution plans to ensure supply based on actual needs. In regard to funds and material resources required for nationwide improvement of bulk commodity packaging, areas and departments should make special applications to the State Economic Commission for examination. Upon approval, some subsidies may also be arranged.

5. Enforce a policy of encouraging package improvement.

From now on, in regard to packaging of commodities, relevant departments should enforce the policy of fixing prices according to quality and good prices for good quality. Commodities determined to be of good quality should also have good-quality packaging. In widening the quality price differentials in the same commodity category, the packaging quality price differential should also be considered. Rational expenses for packaging improvement, may be included

in production costs provided they have definitely helped in protecting the quality of products and facilitating usage. In the event this may raise factory and retail prices, the matter should be handled within the scope of authority in controlling commodity prices. Disguised prices increases shall not be permitted. New packaging products which are trial-produced with new technology should be granted a tax reduction or exemption for a certain period in accordance with the "(Draft) PRC Regulations Governing Taxation of Products." Enterprises which have reduced damages and losses and obtained economic benefits through packaging improvements should reward personnel who had made outstanding contributions to packaging improvement.

In regard to the production and use of containers, for packaging, tax collecting departments in various areas should start levying value added tax as soon as possible. This can be tried out first on bulk commodities such as cement and plate glass, and should be gradually extended after gaining experience.

6. Compile technical standards for packaging.

It is necessary to tightly grasp the work of compiling or revising the technical standards for commodity packaging, packing containers and packing materials, and implement them vigorously. For major products, the State Bureau of Standards should take the lead and separately organize departments to formulate and perfect corresponding technical standards. The State Bureau of Standards should work out a plan governing technical standards for packaging first of all compiling technical standards sorely needed in production and circulation processes. Existing standards which are not high enough or which do not specify sufficiently concrete or clear requirements should be revised in a timely manner so as to have a complete set of technical standards for packaging on hand. For packaging major products, it is necessary to organize and promote quality attestation in a planned and systematic manner, and enforce the system of issuing "packaging permits," so that packaging not up to standards will not be allowed to circulate.

7. Continue to grasp well the work of product management.

In the course of examining while reforming in 1984, stress was laid on grasping work on improvement of product management, resulting in substantially reduced damages and losses due to obviously poor management. This work will continue to be tightly grasped this year. Packaging must constitute an important ingredient in the consolidation of enterprises, development of total quality control and assessment of quality products. Enterprises should further establish and augment the personal economic responsibility system and closely link together reduction of commodity packaging losses with assessment of the performance of, and granting incentives to, individual employees. If an enterprise is found to have poorly packaged products or to have failed to observe packaging standards which resulted in losses or damage to its products, it should be punished in accordance with the economic contract law, and made responsible for compensation.

8. Organizing scientific and research forces to bolster technical transformation.

Basically speaking, to achieve large-scale reduction of commodity packaging losses, technological progress must be relied upon. Areas and departments should actively put the role of scientific research and educational institutions into full play, encourage enterprises to link up with scientific research and educational departments, organically integrate problems in packaging encountered by the enterprises with topics of scientific research in educational institutions, energetically carry out technological development and open up international technological exchange to expedite packaging reform. Henceforth, packaging modernization would be considered whether building a new factory or undertaking technical transformation of an old factory.

9. Strengthen propaganda work.

Areas should vigorously promote the important role of packaging in developing commodity production and rendering services to consumers, vigorously play up the significance of packaging improvements, introduce good experiences, reveal and criticize sample models of inferior quality, and actively support improvement in packaging work.

If the above views are in order, it is requested that they be approved and forwarded to areas and departments for implementation.

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APPOINTMENTS, DISMISSALS

Beijing STATE COUNCIL BULLETIN in Chinese No 10, 20 Apr 85 p 288

[State Council Announcement on Appointment and Dismissal of Personnel (11 March 1985)]

[Text] Wei Yongqing [5898 3057 3237] is appointed as concurrent PRC's Permanent Representative to the Environmental Regulation Bureau of the United Nations.

Wang An [3769 2491] is appointed Vice Minister of Aeronautics Industry.

Wang Qigong [3769 0366 1872] and Cui Guangwei [1503 0342 3555] are relieved of the post of Vice Minister of Aeronautics Industry.

Zhao Jianmin [6392 0256 3046], Duan Zijun [3008 1311 0193] and Xu Changyu [1776 2490 5940] are relieved of the post of advisor to the Ministry of Aeronautics Industry.

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